

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2011

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

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Pottberg, Gassman & Hoffman, Chtd.

INDEPENDENT AUDITORS' REPORT

Geary County Extension Council
Geary County, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the Geary County Extension Council, a component unit of Geary County, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Geary County Extension Council, as of December 31, 2011, or the changes in its financial position for the year then ended. Further, the Geary County Extension Council has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

In our opinion, except for the effects of including non-cash salaries as a receipt and as an expenditure as described in Note 1, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash and unencumbered cash balances of the Geary County Extension Council, as of December 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The schedule of cash receipts and expenditures-actual and budget

(Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the statutory financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman, & Hoffman, Chartered
Junction City, Kansas
June 25, 2012

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 43,635	-	344,258	335,296	52,597	-	52,597
Total Reporting Entity	<u>\$ 43,635</u>	<u>-</u>	<u>344,258</u>	<u>335,296</u>	<u>52,597</u>	<u>-</u>	<u>52,597</u>

Composition of Cash:

Checking Account	<u>\$ 52,597</u>
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The notes to the financial statement are an integral part of this statement.

**GEARY COUNTY EXTENTION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Geary County Extension Council provides services in such areas as agriculture, home economics, and 4-H Club, to all persons in the County. The Council is an elected nine-member executive board. Geary County annually provides significant subsidies to the Council. As such, the Council is treated as a component unit of Geary County.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions or limitations.

The following fund was utilized in recording the financial activities of the Council for 2011:

Governmental Fund

General Fund – to account for all unrestricted financial resources except those required to be accounted for in another fund.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this financial statement, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Council to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the Council are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANAS**

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

Kansas Statute (K.S.A. 2-610) requires that the Extension Council file with the County Commissioners in the office of the County Clerk a proposed budget prepared in cooperation with the Director of Extension of Kansas State University College of Agriculture and Applied Science for the ensuing calendar year. The Commission, after approval of the budget, shall make it a part of the regular county budget.

Salaries

Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science of the Geary County Extension Council, the University pays for a portion of extension agents' salaries, payroll taxes and benefits and bills the remainder to the Council on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes.

The Council prepares monthly financial statements and submits them to the University for their review. The monthly statements report the total extension agent salaries as an expenditure and includes the portion paid by the University as a receipt titled KSU salaries. The value of the non-cash KSU salaries for 2011 is \$49,426.

2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Council's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Council has no investment policy that would further limit its investment choices. The Council had no investments in 2011.

Concentration of credit risk. State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State statutes require the Council's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Council has no designated "peak periods." All deposits were legally secured at December 31, 2011.

**GEARY COUNTY EXTENTION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2011, the Council's carrying amount of deposits was \$52,597 and the bank balance was \$69,299. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

3. DEFINED BENEFIT PENSION PLAN

Plan description. The Geary County Extension Council contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1%. From April 1 through June 30, 2011, there was a moratorium on the collection of the premium of 1% of the Group Death and Disability Insurance. The Council's employer contributions to KPERS for retirement and insurance for the years ending December 31, 2011, 2010, and 2009 were \$4,238, \$4,638 and \$3,475, respectively, equal to the required contributions for each year as set forth by the legislature.

4. COMPENSATED ABSENCES

The Council's policy regarding vacation leave allows employees to accumulate vacation time based on the years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
0 to 3	1 day / mo.	12
4 to 8	1.25 days / mo.	15
Over 8	1.50 day / mo.	18

Vacation leave is earned by month. Upon termination of employment, an employee is entitled to pay for unused accrued vacation time.

The Council's policy regarding sick leave allows employees to earn leave at the rate of one day per month with a maximum accumulation of 60 days. Upon retirement, an employee is entitled to 1/3 of sick leave earned (maximum of 20 days). Upon resignation, an employee will forfeit all annual sick leave with no compensation given for leave time earned.

**GEARY COUNTY EXTENTION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

4. COMPENSATED ABSENCES (CONTINUED)

The Council has estimated the dollar amount of accumulated vacation for all employees at December 31, 2011 of \$3,282 and accrued sick leave as \$0.

The only estimate in this financial statement is the calculation of the compensated absences balance. Actual results could differ from this estimate.

5. RELATED PARTY TRANSACTIONS

The Council was apportioned \$273,682 by Geary County, Kansas for the year ended December 31, 2011. The County also provides the Council with rent-free use of the building for its operations.

6. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Council has purchased commercial insurance coverage from the EMC Insurance and Cardinal Insurance Companies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

8. 4-H ACTIVITY FUNDS

The 4-H Club activity funds are not a part of the Council's records, and accordingly, we did not audit these funds.

9. 2010 FINANCIAL DATA

The amounts shown for 2010 in the supplemental schedule are included where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Rounding variances may exist between amounts reported for the 2010 calendar year in the supplemental schedule and the amounts reported in the 2010 audited financial statements.

**GEARY COUNTY EXTENTION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

10. SUBSEQUENT EVENTS

The Council evaluated subsequent events through June 25, 2012, the date in which the financial statement was available to be issued.

SUPPLEMENTAL INFORMATION

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance -
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
<u>GENERAL FUND</u>				
Cash Receipts:				
County Tax Appropriation	\$ 270,000	273,682	273,682	-
Kansas State University (Salaries)	44,936	49,426	49,168	258
Education Services Reimbursements	10,464	18,792	30,000	(11,208)
Interest and Miscellaneous Income	1,171	2,358	4,000	(1,642)
Capital Outlay	-	-	10,000	(10,000)
Total Cash Receipts	<u>326,571</u>	<u>344,258</u>	<u>366,850</u>	<u>(22,592)</u>
Expenditures:				
Salaries	207,912	218,184	228,000	(9,816)
Employer's Contribution	45,017	52,470	50,000	2,470
Travel	5,157	6,182	6,500	(318)
Printing, Auditing, and Bond	4,454	4,318	5,000	(682)
Telephone	3,516	4,005	4,000	5
Supplies, Stationary, and Postage	10,496	10,603	8,500	2,103
Equipment, Auto Exchange	26,736	6,835	9,000	(2,165)
Subsistence	2,253	3,939	3,500	439
Miscellaneous	9,192	10,572	12,000	(1,428)
Educational Services Supplies	8,743	17,824	30,000	(12,176)
Rent, Heating, and Lighting	264	364	350	14
Capital Outlay	-	-	10,000	(10,000)
Total Expenditures	<u>323,740</u>	<u>335,296</u>	<u>366,850</u>	<u>(31,554)</u>
Receipts Over (Under) Expenditures	2,831	8,962		
Unencumbered Cash, January 1	<u>40,804</u>	<u>43,635</u>		
Unencumbered Cash, December 31	<u>\$ 43,635</u>	<u>52,597</u>		